



**One Hundred First Legislature - Second Session - 2010**  
**Introducer's Statement of Intent**  
**LB 967**

---

**Chairperson:** Abbie Cornett  
**Committee:** Revenue  
**Date of Hearing:** February 24, 2010

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 967 creates a rural safety net for municipalities of the first class, second class and villages experiencing high levels of loss of local sales tax revenues due to state incentive programs, such as the Employment and Investment Growth Act and Nebraska Advantage.

The safety net is provided through the establishment of a "Refund Fund" to be used administratively by the Tax Commissioner when a municipality experiences local sales tax losses exceeding ten percent in a given budget year, based on the average annual sales tax revenue generated by the local community in the three previous fiscal years.

The loss of greater than ten percent of the local sales tax revenues has created severe budgetary challenges for local municipalities because of unanticipated losses. Current state policy is to grant municipalities only 30 days notice on the loss of local sales tax revenues on existing contracts through the Employment and Investment Growth Act. The notification process will grow to one year notification when Nebraska Advantage is fully implemented and contracts allowing for refunds are exercised, but there is no provision currently for extending notification on other existing contracts.

Municipalities plan for their budget years, which run from Oct. 1 through Sept. 30 each year, weeks in advance before their budgets takes effect. Even using historic data on the loss of local sales tax revenues does not provide the municipalities any exact amount of information on what can be expected on future losses of local sales tax revenue over the 12 months of its fiscal year.

Once local budgets are set, revenue anticipation cannot be changed and when the losses substantially go over historic levels, the municipality is left in a very challenging situation that could create the loss of local services and employees needed and expected by local citizens to provide those services, or in making payments on debt service or bonds dependent upon the local sales tax revenue for payments, as originally decided by a local vote of the citizens.

The "Refund Fund" will help spread out any such impact in resolving the excessive highs or lows experienced by the respective municipality when trying to anticipate its local sales tax loss

to state incentive programs each year. Each municipality could then plan on a “worst case scenario” of how much loss they might experience up to the ten percent level.

The “Refund Fund” is used only to borrow against during those times when the excessive loss occurs and paid back to the fund by the municipality during years it does not exceed the ten percent loss, with this being administered by the Tax Commissioner.

The incentive programs were adopted by the State, without local consent on the possible loss of local sales tax revenue. LB 967 would give the State the opportunity to be proactive on the issue and provide a mechanism to prevent fiscal harm to the local municipalities due to excessive and unanticipated loss of revenue as a result of state policy.

The one “seed fund” option gaining the most support seems to be a “one time, one month, one percent fee” from all sales tax revenues generated in one specific month throughout Nebraska. This would seed the “Refund Fund” and provide ample funding to do so for the foreseeable future based on what the losses experienced to date have been.

**Principal Introducer:**

\_\_\_\_\_ **Senator Ken Schilz**